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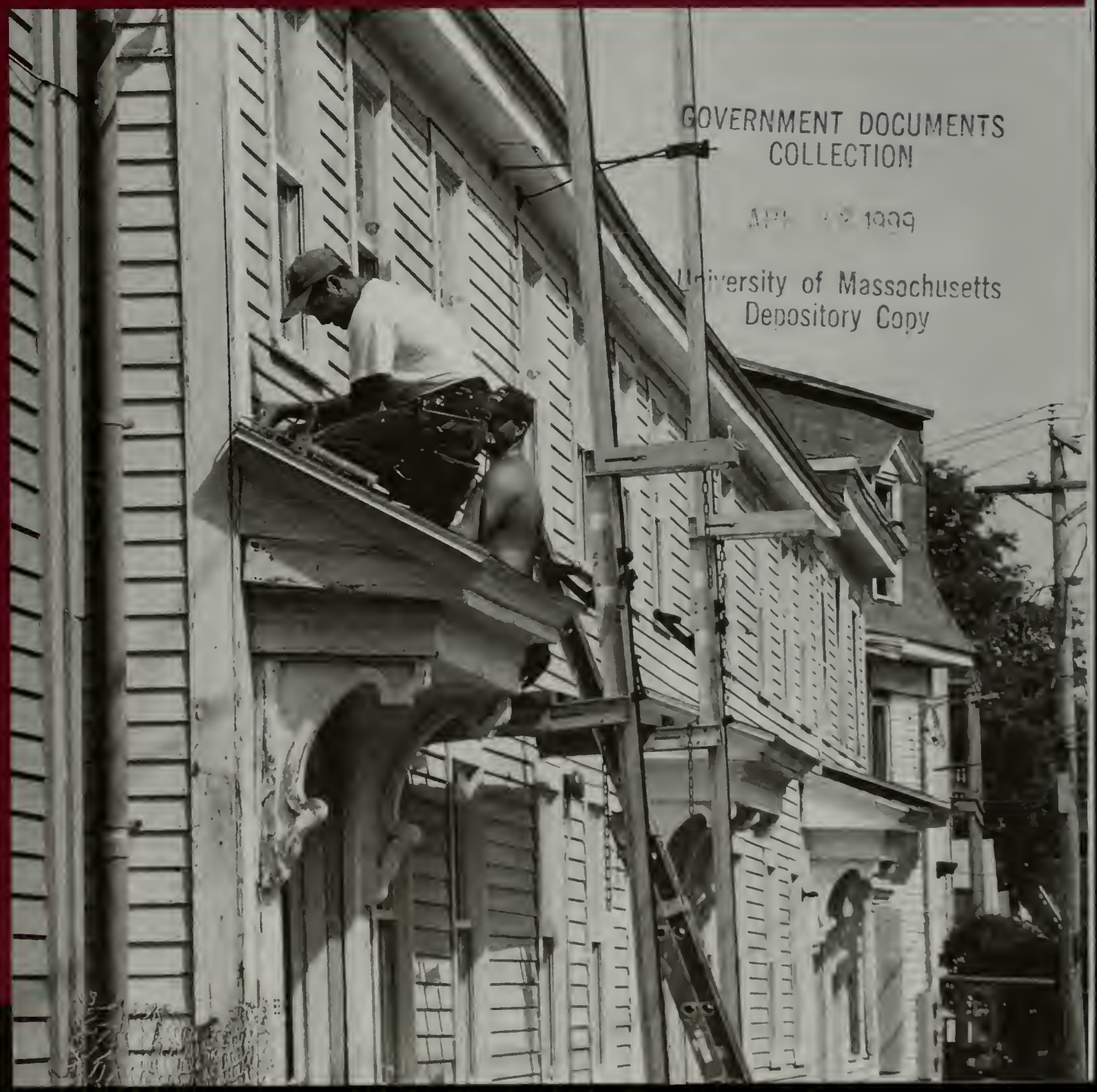
CEDAC

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION



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CEDAC

COMMUNITY
ECONOMIC
DEVELOPMENT
ASSISTANCE
CORPORATION

ANNUAL REPORT 1998

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Facing page, top: Detail of a building in Lowell's Chestnut Square developed by the Caleb Foundation.

Middle: CEDAC assisted the town of Webster in renovating two closed schools into apartments.

Bottom: In Dorchester, construction proceeds on the renovation of one of Victory Programs' buildings.

1998 was a banner year for CEDAC. Our lending to our non-profit developer partners reached a record level, as we committed over $6.7 million in loan capital to community development projects across the state. This increase in lending activity was driven by the success of our new Acquisition Loan Program (ALP), which we developed jointly with the Massachusetts Housing Partnership Fund and the Massachusetts Association of Community Development Corporations (MACDC).

CEDAC plays a unique role among community development lenders in that we serve as the non-profit development community's equity partner. Our ability and willingness to provide the highest risk capital in the earliest stages of a project's development enables non-profit developers to apply their entrepreneurial skills to the important work of housing families, creating jobs, and stabilizing neighborhoods. As a development lender, CEDAC combines its flexible loan capital with valued strategic consultation from its experienced professional staff.

This year marked a number of significant milestones and successes in CEDAC's efforts. CEDAC committed over $5 million in flexible loan capital to non-profit developers through the Acquisition Loan Program (ALP), to help them acquire and hold key properties for neighborhood stabilization and redevelopment until they can secure construction financing. A crucial large capital grant from BankBoston for the ALP enables CEDAC to tailor these loans to our borrowers' needs, so that we can help cover the developers' carrying costs, flexibly underwrite loans with high loan-to-value ratios, and defer the borrowers' interest payments if necessary.

We also noted with pride the start of construction on most of the Demonstration Disposition projects in 1998. This program, managed by the Massachusetts Housing Finance Agency (MHFA) for the Department of Housing and Urban Development (HUD), will construct or substantially rehabilitate over 2,100 HUD-foreclosed rental housing units in Boston. CEDAC has worked with most of the resident groups in the Demonstration properties, providing strategic consulting advice and pre-development loans through MHFA's TOTAL loan program. The groundbreaking for Camfield Gardens in Lower Roxbury culminated more than six years of collegial effort between CEDAC and the Camfield Tenants Association, and initiated the construction start for 102 townhouses which will replace a functionally obsolete apartment complex.

We also stepped up our efforts to work closely with Boston Mayor Thomas M. Menino's office to address the issues of expiring Section 8 project-based contracts and pre-payment of federally-insured mortgages, which will affect thousands of units in Massachusetts. CEDAC played a crucial role in

catalyzing the purchases by non-profit developers and resident groups of almost 900 rental units at risk of pre-payment of their federally-subsidized mortgages in 1997. But the termination of federal funding for such purchases threatens the continuation of this low-income housing stock. CEDAC staff assist the city to negotiate with private owners who want to re-finance or sell their properties, with the goal of finding non-profit purchasers for the properties, or negotiating a set-aside of low income units in the future.

CEDAC's child care finance affiliate, the Child Care Capital Investment Fund (the FUND) also enjoyed a banner year. The FUND created exciting new partnerships with the 0–8 Coalition and Parents United for Child Care (PUCC) to launch facilities capital grant programs for non-profit child care centers. Working with the 0–8 Coalition, the FUND coupled more than $1.4 million in capital grants to centers in Boston with loans originated by the FUND, creating new child care facilities for more than 230 low-income families. The FUND also collaborated with PUCC on a capital program for after-school facilities in Boston. Together we are investing more than $600,000 from the Charles Hayden Foundation, the DeWitt Wallace-Reader's Digest Fund, and the city of Boston to improve and expand after-school facilities at ten sites.

The end of 1998 brought particularly welcome news for the affordable housing community in Massachusetts, when the Administration of Governor Paul Cellucci and the Legislature signed, sealed, and delivered a $296 million housing bond bill which will provide substantial new resources for low-income housing. CEDAC looks forward to working with the Department of Housing and Community Development (DHCD) to implement programs funded by this important new resource.

Our efforts would not reach fruition without enormous contributions from many people. The CEDAC board of directors lends thoughtful oversight and policy direction, infused with a firm sense of the agency's mission. CEDAC's staff are recognized as a valuable resource for the community development industry in this state and nationally, and for their commitment to our partners' success. We could not achieve any of our goals without the financial support, the collegial working relationships, and the shared sense of purpose of the many agencies, funders, and community developers whose contributions this report reflects. We thank them all.

Jane Wallis Gumble
Chairperson

Michael Gondek
Executive Director

Top: Local businesspeople and officials celebrate Salem's H.E.L.P. loan program. *Left to right:* Salem Harbor Community Development Corporation's Assistant Executive Director Laura Buxbaum and Executive Director James Haskell; First Choice Painting's Michael Iannuzzi; The Lunch Box's Nicholas Irving; and Short Cuts for Kids' Pam Molea, Jennifer Lombard, and Kerri Riley.

Photo courtesy of Salem Harbor Community Development Corporation.

CEDAC awarded five major program grants this year, as the agency began full implementation of Phase Two of the Community Economic Development Capacity Building Initiative (CED CBI). CEDAC and MACDC designed the CED CBI to help community development corporations (CDCs) better focus their efforts on creating jobs and income for their low-income constituents, and to develop the capacity to implement economic development activities which would achieve the greatest possible impact.

The CED CBI made funding awards to:

- the Somerville Community Corporation for its telecommunications industry project, focused on job training and real estate development;
- the Salem Harbor Community Development Corporation for its H.E.L.P. (Helping Entrepreneurs Learn & Prosper) program;
- the South Boston Neighborhood Development Corporation for its Seaport Hotel job placement program;
- the Twin Cities Community Development Corporation, for its plastics industry project; and
- the Jamaica Plain Neighborhood Development Corporation for its job linkage programs.

These new initiatives embody the strategic thrust of the CED CBI, in that they (1) focus on the employment needs of the very low-income populations in CDCs' neighborhoods, and (2) create strategic partnerships and alliances with important employment-generating institutions and new economic growth areas.

Salem Harbor Community Development Corporation

"COMPLETING our strategic plan for the Capacity Building Initiative really made us confront basic questions about what the CDC wanted to be, in terms of stimulating economic development opportunities for our constituency," noted James Haskell, Executive Director of the Salem Harbor Community Development Corporation (SHCDC). SHCDC realized that its original target area of the Point neighborhood in Salem was too small an economic area to afford enough opportunities to meet the CDC's goals for job creation and business growth. Although the CDC has made a significant impact on improving the housing stock in the Point, expanding its economic development programming demanded that the CDC expand its boundaries.

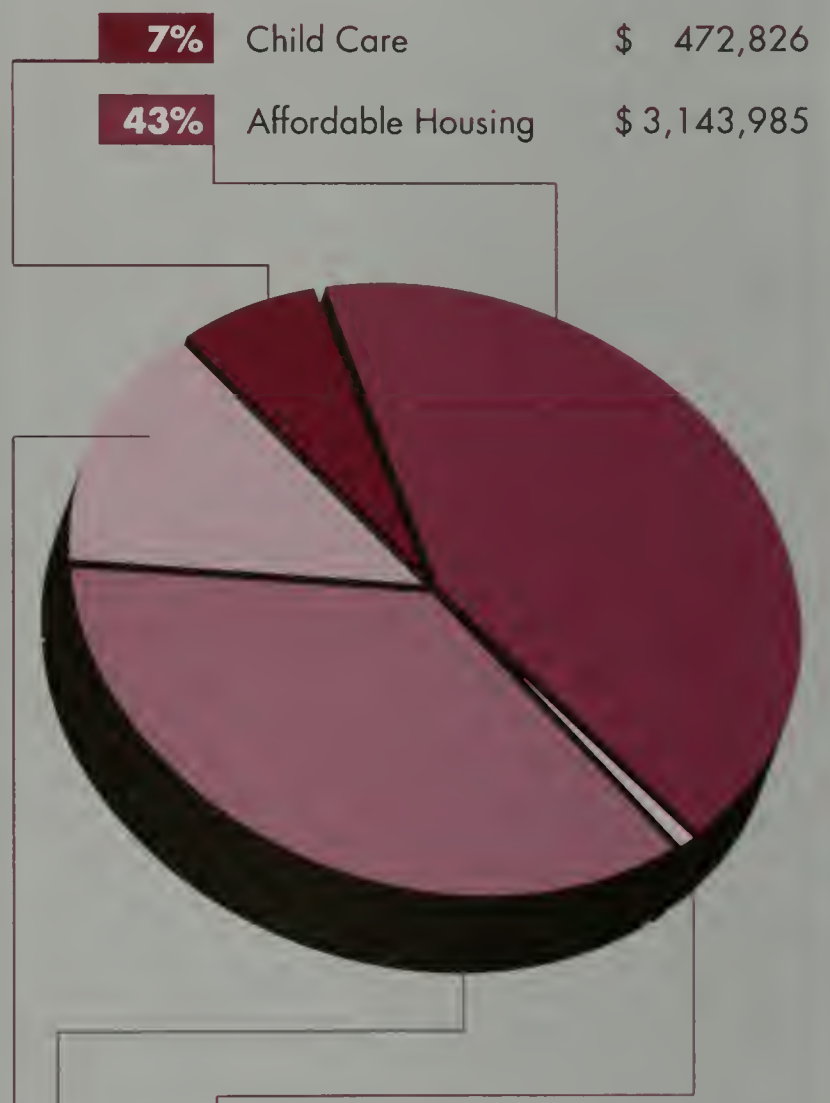
So SHCDC grew its target area to encompass the entire city of Salem, and negotiated landmark agreements with a consortium of six local lenders to start a small business loan program which the CDC would administer for the banks. The H.E.L.P. program draws on $200,000 in loan capital committed by the lenders, backed by a loan guarantee fund contributed by the city of Salem and BankBoston, to help local residents start their own businesses. The business owners also receive technical assistance from the H.E.L.P. Program Coordinator, Carmen Ruiz. Overseen by a loan committee of bankers, business owners, an accountant and other professionals with small business expertise, the H.E.L.P. program recently announced its first four loan commitments, totaling $45,500.

South Boston Neighborhood Development Corporation

THE REDEVELOPMENT program envisioned for Boston's Seaport District will impact the neighborhood of South Boston on an unprecedented scale. Swirling currents of massive construction projects, thousands of new employment opportunities, choking traffic congestion, transformation of gritty industrial areas, and the renaissance of the residential real estate market will buffet South Boston for the next twenty years, with the overall well-being of its residents in the balance. The South Boston Neighborhood Development Corporation (NDC) has positioned itself to ensure that benefits from the historic development opportunities in the District flow to South Boston's residents.

One of the first tangible products of the anticipated development boom was the construction of the Seaport Hotel at the World Trade Center. South Boston NDC recognized that the hotel would generate a range of employment opportunities, from housecleaning and laundry to managerial positions. So the NDC assembled a consortium of seven non-profit agencies—several CDCs from adjacent neighborhoods, along with social service agencies—to recruit, assess, and direct local residents to job opportunities in the hotel. The NDC also arranged for delivery of a work readiness program for applicants who needed that service before going to a job interview. Marty Nee, the Executive Director of the NDC, remarked, "More than 40 percent of those hired at the Seaport Hotel were former welfare recipients. We anticipate that this program will serve as a model for future initiatives in the South Boston Seaport District, especially for programs serving people who are in the transition from welfare to work."

FY98 Summary of Loan Commitments by Program Area



7%	Child Care	$ 472,826
43%	Affordable Housing	$ 3,143,985
1%	Economic Development	$ 27,500
36%	Supported Housing	$ 2,571,500
14%	Housing Preservation	$ 984,300
	Total	**$ 7,200,111**

The 0–8 Coaltion and the FUND celebrate the opening of the Dimock Community Health Center's Gatehouse Building Preschool Site on October 16, 1998. Dimock received a grant and loan to develop child care space for 54 three- and four-year-old children. The children are singing a song welcoming everyone to their new center.

THE CHILD CARE Capital Investment Fund (the FUND), an affiliate corporation of CEDAC, passed the $2.5 million mark in loan commitments to non-profit child care centers in 1998. The FUND, established by the United Way of Massachusetts Bay to serve as a pioneering source of loan capital for child care providers, expanded its activities by launching several major capital grant initiatives, in collaboration with important institutional partners.

The FUND joined forces with the 0–8 Coalition, an umbrella group of child care providers and advocates, to administer a capital grant program to expand the supply of full day care for three- and four-year-olds in Boston, using a portion of the Community Partnership funding which the city of Boston receives from the Commonwealth's Department of Education. As the planning agent for those funds, the Coalition realized that just granting providers additional operating subsidies to fund more child care slots would not increase the supply of care, in the absence of a capital program to improve or expand facilities to serve more children.

The Coalition approached the FUND, seeking its expertise in child care finance and development, with the idea that the Coalition would set aside a portion of its annual funding allocation to expand the supply of space for child care through the creation of a capital program. Working within a stringent timetable, the FUND and the Coalition designed the program, issued a Request for Proposals, evaluated the requests and made grant awards, and implemented the facilities expansion program. In less than eight months, the program created facilities for more than 230 low-income families. This partnership significantly enhanced the FUND's ability to impact the child care supply issue, since the FUND can now integrate its lending and technical assistance capabilities with a supply of capital grant funds to offer providers a comprehensive package of financing.

The FUND also collaborated with Parents United for Child Care (PUCC), a child care advocacy organization, to operate a capital investment program for after-school facilities in Boston. PUCC is a recipient of one of just three major grant awards nationally from the DeWitt Wallace–Reader's Digest Fund to improve after-school care. PUCC also perceived the need for a facilities component to complement the policy advocacy, community organizing, and operating subsidy elements of its program. Together the FUND and PUCC are investing more than $600,000 from the DeWitt Wallace–Reader's Digest Fund, the Charles Hayden Foundation, and the city of Boston to improve and expand after-school facilities at ten sites.

Above: Dimock's architect and child care staff created a colorful playhouse and platform for theatrical activities.

Left: The generous use of glass throughout the Dimock center gives the classrooms a sense of spaciousness.

Right: Construction at Federated Dorchester Neighborhood Houses, Inc.'s Preschool Project at Denison House in Dorchester.

Below: One of the classrooms at Denison House after renovation. All the large windows were retained during the renovation to maintain a bright, well-lit atmosphere.

SMILE Preschool

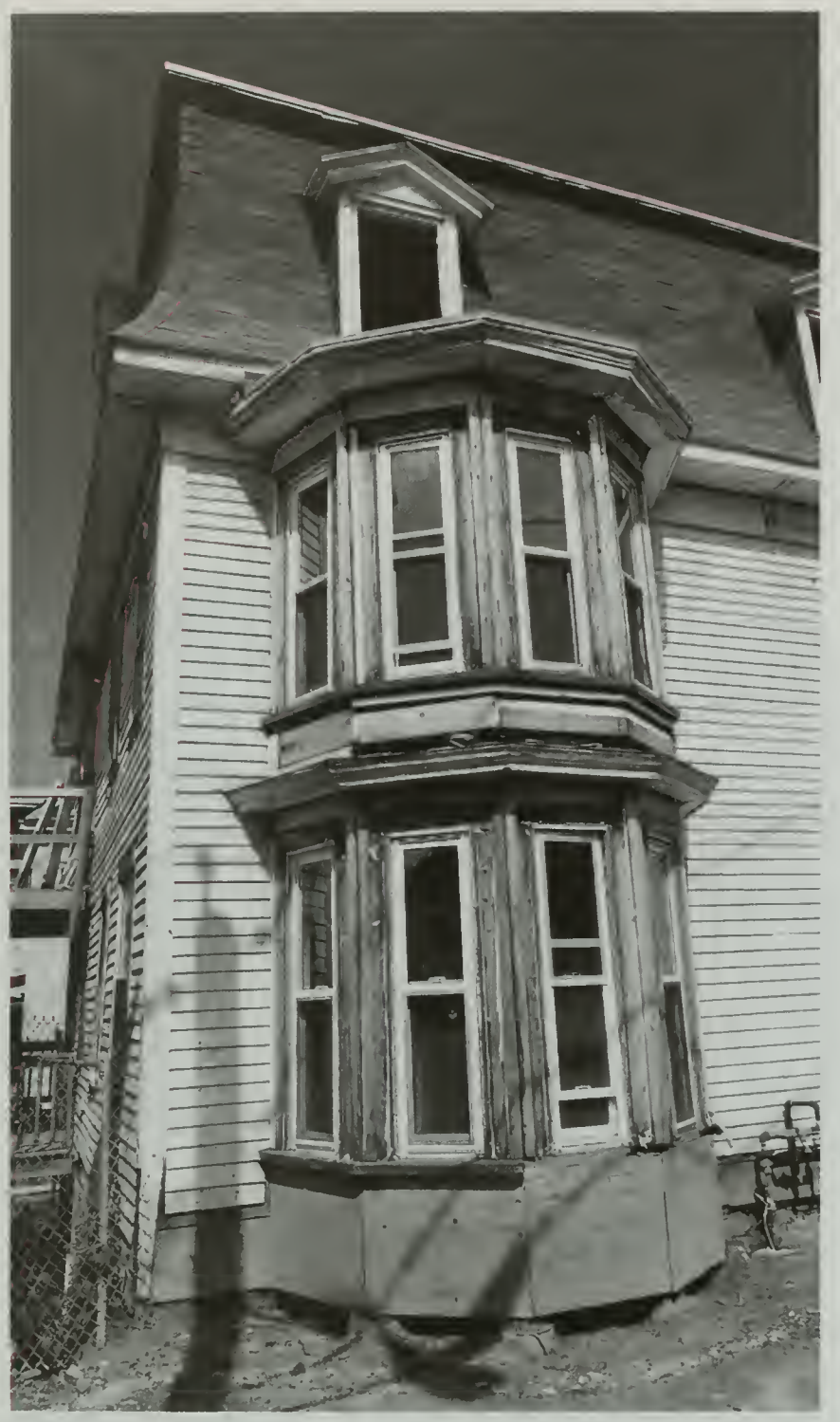
THE FUND INVESTED considerable time helping SMILE Preschool, a small single-site, minority-operated non-profit child care center, plan and implement the expansion and relocation of its facility. SMILE is quite typical of many of the FUND's borrowers: it serves almost entirely a low-income constituency, and is managed by extremely committed individuals, but had never undertaken a major capital project. SMILE lacked the expertise to deal with the myriad of complex issues involved with planning an ambitious capital expansion and financing project.

FUND staff assisted SMILE in evaluating alternative sites; securing and negotiating a lease for an appropriate, well-located site; managing an architect to produce a well-designed plan for their expanded facility and program; developing a business plan with ten-year operating financial projections to guide the management of the expanded program; helping SMILE identify an in-house financial manager for the first time; and helping SMILE secure other financing, including a commercial bank loan and substantial philanthropic support, for the project.

The expansion of SMILE Preschool will generate substantial economic development benefits. SMILE primarily serves families living in Roxbury, Mattapan, North Dorchester, Jamaica Plain, and the South End. SMILE serves low-income families, including many female-headed single parent households.

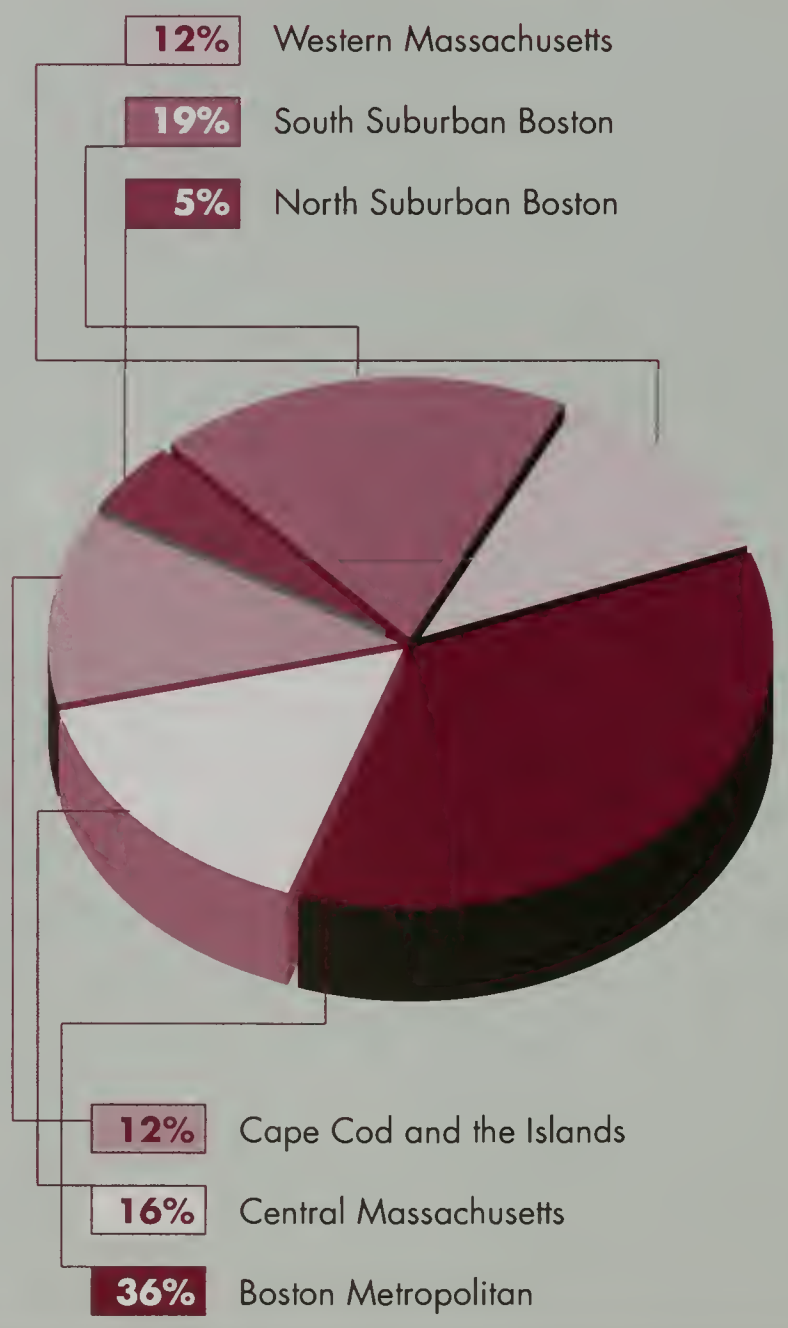
SMILE's expanded child care program will serve working poor parents living in Orchard Park, a public housing development adjacent to SMILE's new location, which is undergoing substantial redevelopment through a HOPE VI grant from HUD. SMILE has secured an operating subsidy to fund eight child care slots which will be set aside for Orchard Park parents who are working or are enrolled in education or job training programs, and who would not qualify for existing child care subsidies. SMILE will also provide twenty slots of wrap-around care for kindergarten and school-age children, allowing parents to participate in full-day employment or training activities that are not possible if they have to meet a midday or early afternoon school bus.

Top: Each classraom features child-scaled furniture, utility sinks . and canvenient adjaining lavataries. *Middle:* Part of a pasitive child care experience is making gaad friends. *Battam:* SMILE's new facility has several classraams specifically designed and equipped ta meet the needs af infants and toddlers.



CEDAC continued to devote the largest share of its program effort to the development and preservation of housing for low-income families and individuals. We concentrated our resources on restructuring troubled federally assisted housing; using the resources of the Housing Innovations Fund (HIF) and the Facilities Consolidation Fund (FCF) to create new service-enriched housing options; and assisting the non-profit development community in generating new low-income housing in cities and neighborhoods where shelter is most needed.

FY98 Geographic Summary of Projects Assisted



Prospect Estates

THE TOWN of Webster hoped it had solved the problem of finding useful new lives for its former Thompson and Rock Castle Schools when a developer proposed to convert the surplus school buildings to housing in the mid-1980's. The school buildings were substantial public architecture, handsome examples of Italianate design with exceptional stonework, slate roofs, arched windows and other fine detail. So the town willingly invested funds from the Department of Housing and Urban Development's (HUD) Community Development Block Grant and 312 rehabilitation loan programs to assist a private developer to convert the schools to 31 units of rental housing. But the developer eventually defaulted on its public loans and abandoned all management and maintenance of the buildings.

The schools had become a liability to the town. Drug activity, vandalism, and the presence of squatters in the buildings were growing out of control. Webster's Redevelopment Authority foreclosed on its interest in the properties but received no bids at the first foreclosure auction it held in 1994. The outstanding mortgages owed to HUD, and the level of rehabilitation required to bring the properties back to marketable condition, precluded any willingness on the part of private developers to make the required financial investment.

So the Webster Housing Authority (WHA) agreed to step in. The town embraced the WHA's bid as the only initiative capable of making the purchase and renovation work for the community. When the town held the next auction, the WHA purchased the town's interests in the buildings for $20,000. With the help of the town, the WHA then negotiated down HUD's outstanding mortgage to a level the WHA could afford. The Commonwealth's Department of Housing and Community Development (DHCD) committed tax credits and HOME funds to help finance the renovation. When the properties are renovated, Webster residents who were once students in the schools will be among those living in the apartments created by Webster's partnership effort, enjoying bi-level loft units with skylights and exposed wooden beams.

At right: Two views of the former Thompson School.

Facing page, top: One of the buildings in Lowell's Chestnut Square during redevelopment. *Bottom:* Repair work proceeds on Dorchester's Wilder Gardens.

Top: Exterior of one of the Quadrangle Court buildings.
Bottom: Workers renovating the interior of one of the buildings.

Quadrangle Court

SPRINGFIELD

WHEN THE OWNER of five large multi-family properties in the Armory Quadrangle neighborhood of Springfield declared bankruptcy, and the bank holding the mortgage on the properties refused to intervene to manage the buildings, the residents of the adjacent neighborhood formed a neighborhood association to take action. Andy Burnes, one of the original founders of the Armory Quadrangle Civic Association (AQCA), said "When five large buildings go under in a small neighborhood, it's only a matter of time before everything else goes down."

AQCA succeeded in obtaining the appointment of a receiver by the Hampden County Housing Court to halt the continued deterioration of the buildings and to provide management services to the occupied buildings. After they had convinced the city to demolish one burned out building, they realized they needed a comprehensive solution for the remaining buildings, so they turned to the Hampden Hampshire Housing Partnership (HAP, Inc.) HAP convinced the local lender who held the mortgages to sell the notes to HAP, which then foreclosed on them to gain control of the site.

HAP helped AQCA to target landlords in the area who had been identified as poor managers, and convinced those landlords to tighten their screening practices when selecting new tenants. The owners of the nearby newly renovated Rainville Hotel, which had been the site of crime and drug transactions for years before CEDAC had worked with local activists to renovate the property, stood by their commitment to screen tenants tightly, manage the property stringently, and ensure that social services were available to tenants who needed them.

Finally HAP, the city of Springfield, and AQCA joined forces to secure Housing Stabilization Fund resources from DHCD, as well as federal tax credits, to help finance the rehabilitation of the two remaining structurally sound buildings to 33 units of rental housing. Peter Gagliardi, the Executive Director of HAP, noted that the redevelopment plans included creation of a "Community Computer Center" within the Quadrangle Court complex, providing access to computer technology to all neighborhood residents. Gagliardi commented: "This project is testimony to the determination of the Armory Quadrangle Civic Association to heal itself, to restore itself and win back its neighborhood."

Boston Road Mobile Home Park

MOBILE HOME PARKS can be a valuable resource for lower-income housing. Many parks in Massachusetts cater to both working families and elderly on fixed incomes, providing an opportunity for affordable housing in a community setting. Diane Legere, the President of the 314-unit Boston Road Mobile Home Park in Springfield, notes: "The park used to be well managed; the residents would compete in contests to see who had the nicest lawn. Then the park was sold to a long-distance owner and things went downhill."

When the owner announced his intentions to sell the park, Diane led the tenants' efforts to purchase the park. Negotiations with the owner were acrimonious, and there was resistance to the idea of purchasing the park among some of the tenants, who were afraid of change and hoped things would go back to the way they used to be. And it was extremely difficult to find a lender who would provide financing for the more than $4 million project. But the residents persevered, winning support from Springfield Mayor Michael Albano, and the Massachusetts Housing Partnership Fund stepped forward to provide more than $2 million in first mortgage financing to allow the tenants to consummate the purchase.

The purchase has revived the park's sense of community. Children in the park have formed their own committee to plan movie nights and homework nights, organize basketball tournaments, and recruit older children to read to younger children. The park still faced the problem of constant speeding by cars within the interior roads, so the board of directors installed speed bumps, creating new opportunities for spectator sport. Elderly residents pulled their lawn chairs up to the side of the roads, to get a front row view of speeding cars which would go flying upon impact with the speed bumps. The speeding problem has been solved, and the park is a safer place for children now.

These residents of the Boston Road Mobile Home Park are among the new owners of the park.

The Dorchester Bay EDC saved Wilder Gardens from loss of its Section 8 rental subsidies.

Wilder Gardens

WILDER GARDENS, a 70 unit apartment complex off Columbia Road in Dorchester, had been plagued by drug trafficking and prostitution. The complex had been sold by HUD to a private owner in the 1980's, but conditions had deteriorated so badly that HUD was on the verge of canceling its Section 8 rental subsidy contract and relocating the remaining tenants to other housing. The Dorchester Bay Economic Development Corporation (DBEDC) stepped in to avert the loss of the Section 8 units. DBEDC Executive Director Jeanne Dubois managed to catch the ear of HUD Secretary Andrew Cuomo at a conference in Boston, to plead for his intervention to give DBEDC the time it needed to secure resources before HUD canceled the contract.

At Secretary Cuomo's insistence, HUD relented, and DBEDC secured funds from the city of Boston's Department of Neighborhood Development and the Massachusetts Housing Investment Corporation (MHIC) to perform emergency repairs on the building. Once its permanent financing was in place, DBEDC reconfigured the interiors of the buildings, which had been mostly one- and two-bedroom units, to fewer but larger units, providing 15 three- and four-bedroom apartments for larger families. Sixteen units are reserved for previously homeless individuals and families. Wilder Gardens takes up an entire city block: its status as fully occupied, well-managed housing now exerts a stabilizing influence on the adjacent neighborhood.

Richard E. Ring House

"The Richard E. Ring House would never have been possible without CEDAC's encouragement and resources," commented Jan Griffin, Director of Program Planning for the Paul Sullivan Housing Trust (PSHT), referring to the twelve-unit supportive lodging house for mentally ill homeless individuals PSHT recently opened in Dorchester. When PSHT, the housing arm of the Pine Street Inn, began to explore the daunting task of securing financing for the Ring House, Jan noted, there was little support for such projects.

"When we approach neighborhood groups to talk about our plans to site a residence, we explain that nobody was ever born at Pine Street," observed Jan. "Pine Street Inn's philosophy is that our guests will only recover if they have a nice place to live. They need to feel that they are valuable." The challenge to sponsors of supportive housing is to help addicted individuals realize that addiction is an illness which can only be addressed through personal dedication to sobriety, improved health, and independence.

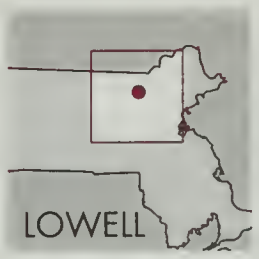
Griffin notes the example of a 55-year-old woman, divorced after living in an abusive relationship, who came to Pine Street from another shelter after becoming homeless. She is recovering from addictions, while struggling to combat physical and mental illnesses. But she has a close relationship with her daughter, and the stable housing the Ring House provides her is helping her to make efforts to re-establish her relationship with her own mother. Residents of the Ring House are given the opportunity to deal with substance abuse histories, chronic mental illness, and dual diagnosis.

The Ring House was formerly owned by a local parish which wanted to see the building used for the kinds of residents PSHT serves, so the project has benefited from an unusual level of welcoming support from the neighborhood for the residents. A major funding award from the Facilities Consolidation Fund (FCF) helped provide the comfortable, homey atmosphere in the house. At the house's dedication, the Pine Street Inn awarded Charleen Regan, CEDAC's Program Manager for supported housing, special recognition in the form of its Humanitarian Award, citing her contributions to Pine Street's housing efforts over the past decade.

One of Pine Street Inn's guests relaxing on the back porch of the Richard E. Ring House.

Top: Renovation of one of the existing buildings at Chestnut Square. *Bottom:* Corner view of Chestnut Square. One of the newly constructed buildings is on the right.

Chestnut Square



Wayne Hayes, the former President of the Belvedere Neighborhood Association, will testify that the redevelopment of the Chestnut Square housing in Lowell has dramatically improved the neighborhood. "The building used to be a flophouse on the worst block in Belvedere," Wayne said, "but the rehabilitation is improving it immensely." He lives across the street from Chestnut Square, so he has a bird's-eye view of the construction process. The non-profit Caleb Foundation, the owner and developer of Chestnut Square, has impressed him with the quality of the construction work going into Chestnut Square. "Even the workers are respectful of the neighbors," Wayne noted. "I get compliments on how the neighborhood looks now from residents, when all I used to get were complaints."

Chestnut Square's site is comprised of contiguous land parcels and buildings fronting three streets on a block near downtown Lowell, with significant open space on the interior of the site. When the Caleb Foundation began work, several buildings were burnt out, and only 26 units were occupied. When construction is completed, 37 rehabilitated units will have been salvaged from reuse of nine existing buildings, and two new duplex infill buildings will create four new housing units. Off-street parking spaces will be created, and an attractive play area for children of the families who will reside at Chestnut Square will be provided. The Caleb Foundation's mission is not just to provide affordable housing, but to bring a full range of tools to bear on the economic, social, and personal issues its residents confront. So Caleb will hire a Resident Services Coordinator to help residents of Chestnut Square to address needs they identify, such as child care, job readiness training, and stress management.

Victory Programs

When Victory Programs, a Dorchester-based community education and HIV prevention program, acquired three buildings, the organization decided that the best use for the properties was housing for people with AIDS or HIV. Victory Programs moved to create both transitional and permanent housing for individuals and families in which at least one adult is HIV-positive. Victory Programs used funding from a special set-aside of the Housing Innovations Fund (HIF), which is targeted for projects which house people with AIDS or who are HIV-positive.

The HIF program has assisted non-profit developers to produce 5,537 units of housing since 1987 for low-income families and individuals, especially those with special needs who need housing enriched with supportive services to assist them to live in communities as independently as possible.

In families in which one or both parents has AIDS, a fine line exists between the infected and the affected. All members of the family, especially the children, must learn how to cope with the threat of disease. Cedar House creates a unique permanent housing environment that provides special care and attention to large families in this situation. This newly renovated duplex houses two families in which one or both parents are HIV-positive.

Transitional housing allows Victory Programs' clients to reflect on their accomplishments in stabilizing their lives, and to create longer-term, more ambitious goals for themselves. They can continue to draw on the resources of Victory Programs, while preparing to live independently. Women's Hope Transitional Home serves women in recovery for up to one year, while Victory Transitional House serves men; all of whom have HIV/AIDS. One of the house's clients remarked "I didn't live in the streets, but I had my own misery and my own sorrow. And the place I spent my time was the place I called home, but there wasn't anyplace else to go and there was nobody there."

Victory Programs' housing for people with AIDS or HIV.

The Chapin Mansion will be converted to sober housing for veterans by the Valley Opportunity Council.

Chapin Mansion

The Chapin Mansion, a Queen Anne-style building in Holyoke's Churchill neighborhood, will house fourteen veterans recovering from addiction, plus a resident manager, due to the efforts of the Valley Opportunity Council (VOC). The first permanent home for veterans in Western Massachusetts, the restoration of the mansion will also rejuvenate the landmark structure located on a half acre lot on a prominent corner of Holyoke's target neighborhood.

VOC raised over $750,000 in debt and equity to acquire and renovate the Chapin Mansion. The Puerto Rican Veterans Association of Massachusetts (PRVAM) will provide resident management services for the facility. Gumersindo Gomez, Executive Director of the PRVAM, noted: "The Chapin Mansion will be open to men and women veterans of any race who seek aid in maintaining sobriety." Gomez added that, unlike temporary facilities or shelters, the residents of Chapin Mansion will have to be clean of drugs and alcohol, cook and clean for themselves, and will either be working or training for a job. "This home is about taking veterans who are homeless and putting them in a safe environment and helping them obtain jobs," he said.

CEDAC's activities are made possible with the generous assistance of the agencies, foundations and corporations listed below. We are very grateful to them for their continuing support.

Department of Housing and Community Development, Commonwealth of Massachusetts

Department of Neighborhood Development, City of Boston

U.S. Department of Housing and Urban Development

Massachusetts Housing Partnership Fund

United Way of Massachusetts Bay

Massachusetts Development Finance Agency

Division of Capital Planning and Operations,
Executive Office for Administration and Finance

The Ford Foundation

The Surdna Foundation

The Boston Foundation

Riley Foundation

Anonymous

Fleet Bank

State Street Bank & Trust

Bank Boston

Fannie Mae Foundation

The Hyams Foundation

Local Initiatives Support Corporation

The John Merck Foundation

Fleet Investment Management—Walter J. Noonan Trust

Community Economic Development Assistance Corporation
Statements of Financial Position
June 30, 1998
(with Comparative Totals for 1997)

Assets	Unrestricted Funds	Restricted Program Funds	Restricted Loan Funds	Total 1998	Total 1997
Current Assets:					
Cash and Cash Equivalents	$ 957,823			$ 957,823	$ 1,044,818
Restricted Cash	27,545	$ 297,099	$ 10,720,054	11,044,698	9,141,260
Accounts Receivable	182,593		112,185	294,778	182,643
Grants Receivable			992,121	992,121	182,548
Net Interfund Receivables			197,875	197,875	377,942
Prepaid Expenses	26,091		1,663	27,754	24,902
Total Current Assets	1,194,052	297,099	12,023,898	13,515,049	10,954,113
Other Assets:					
Security Deposit	8,328			8,328	8,328
Loans Receivable, net of Allowance for Uncollectible Loans of $459,827			4,431,857	4,431,857	3,173,583
Furniture and Fixtures	218,978			218,978	213,606
Leasehold Improvements	27,305			27,305	27,305
Less: Accumulated Depreciation	(152,027)			(152,027)	(106,220)
Total Other Assets	102,584	—	4,431,857	4,534,441	3,316,602
Total Assets	$ 1,296,636	$ 297,099	$ 16,455,755	$ 18,049,490	$ 14,270,715
Total Liabilities and Net Assets					
Current Liabilities:					
Accrued Expenses	24,555	37,504	944,989	1,007,048	31,401
Deferred Revenue	166,692	234,595	915,321	1,316,608	592,117
Net Interfund Payables	172,875	25,000		197,875	377,942
Deferred Compensation Payable	16,990			16,990	16,030
Accrued Compensation	35,085			35,085	29,343
Total Current Liabilities	416,197	297,099	1,860,310	2,573,606	1,046,833
Other Liabilities					
Note Payable to Funding Source (Note B)	5,000		13,641,366	13,646,366	11,549,387
Total Other Liabilities	5,000	—	13,641,366	13,646,366	11,549,387
Total Liabilities	421,197	297,099	15,501,676	16,219,972	12,596,220
Net Assets					
Unrestricted Funds:					
Board Restricted:					
Operating and Other Reserves	781,183			781,183	811,004
Capital Fund	94,256			94,256	134,691
CEDAC Loan Fund			768,700	768,700	734,047
Acquisition Loan Funds			185,379	185,379	(5,247)
Total Net Assets	875,439	—	954,079	1,829,518	1,674,495
Total Liabilities and Net Assets	$ 1,296,636	$ 297,099	$ 16,455,755	$ 18,049,490	$ 14,270,715

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

Community Economic Development Assistance Corporation
Statements of Activities
For the Year Ended June 30, 1998
(with Summarized Financial Information for the Year Ended June 30, 1997)

	Unrestricted Funds	Restricted Program Funds	Restricted Loan Funds	Total 1998	Total 1997
Revenue and Support					
Grants and Contributions	$ 170,170	$113,311	$ 1,224,117	$ 1,507,598	$ 213,896
Government Contracts	530,206	50,000	190,488	770,694	614,309
Earned Revenue	443,432		12,160	455,592	425,224
Recovery of Uncollectible Loans			38,248	38,248	152,221
Interest	61,078	15,446	803,419	879,943	755,663
Other	5,000		6,859	11,859	75,786
Release of Program Restrictions	163,311	(163,311)		—	—
Release of Loan Fund Restrictions	1,739,868		(1,739,868)	—	—
Total Revenues and Other Support	3,113,065	15,446	535,423	3,663,934	2,237,099
Expenses					
Loan Fund Expenses:					
CEDAC Loan Fund	10,139			10,139	—
Acquisition Loan Funds	64,174			64,174	25,941
PFD Revolving Loan Fund	40,346			40,346	—
MHP Loan Fund	180,000			180,000	170,000
MHFA TOTAL Loan Fund				—	3,446
HIF/FCF Loan Funds	6,859			6,859	13,351
CCCIF Loan Funds	1,438,350			1,438,350	230,545
Program Expenses:					
Pre-Development Lending	732,153			732,153	807,124
Child Care	164,406			164,406	93,409
Economic Development	197,449			197,449	86,646
Other Expenses:					
Management and General	289,046			289,046	289,952
Fundraising	839			839	4,486
Total Expenses	3,123,761	—	—	3,123,761	1,724,900
Adjustments:					
Net (Incr.) Decr. in Note Payable			(519,447)	(519,447)	(427,152)
Net (Incr.) Decr. in Deferred Revenue		(15,446)	(9,209)	(24,655)	—
Loan Fund Capitalization	(59,560)		218,512	158,952	—
Net Fixed Asset Disposals				—	(1,810)
Net Adjustments	(59,560)	(15,446)	(310,144)	(385,150)	(428,962)
Change in Net Assets	(70,256)	—	225,279	155,023	83,237
Beginning Net Assets	945,695	—	728,800	1,674,495	1,591,258
Ending Net Assets	$ 875,439	$ —	$ 954,079	$ 1,829,518	$ 1,674,495

Note: These figures are derived from CEDAC's audited financial statements. A complete audit is available upon request.

Community Economic Development Assistance Corporation
Selected Notes to Financial Statements
June 30, 1998 and 1997

Note A—Summary of Significant Accounting Policies

The Community Economic Development Assistance Corporation ("CEDAC") is a quasi-public corporation established under Chapter 40 H of Massachusetts General Laws in 1978 and is discretely presented as a component unit in the Commonwealth of Massachusetts' Comprehensive Annual Financial Report. CEDAC provides a range of development assistance programs to non-profit development corporations throughout the Commonwealth of Massachusetts to expand the supply of affordable housing and foster the revitalization of economically distressed areas. The accompanying financial statements were prepared on the accrual basis.

CEDAC has obtained a determination letter dated July 13, 1993 from the Internal Revenue Service which states that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, CEDAC has not provided for income taxes in the accompanying financial statements.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Classification of Net Assets

Unrestricted Funds are comprised of the funds used to support general CEDAC operations.

Restricted Program Funds relate to funds contributed by donors for special CEDAC programs. Contributions are recorded in the restricted program funds as they are received. When the funds are used according to their restricted purpose, the program funds are reclassified to unrestricted funds and are reported in the Statement of Activities as a release of program restrictions.

Included in the restricted program funds at June 30, 1998 are those funds associated with the Community Economic Development Capacity Building Initiative ("CED CBI"). The program provides consulting assistance to community development corporations to enhance their capacity to carry out strategic planning for economic development. The program has been fully funded by grants and contributions.

Restricted Loan Funds include CEDAC loan funds and other loan funds capitalized at CEDAC by various funders. The loan funds are managed by CEDAC under a management contract with the funder which outlines the use of the loan corpus and its accumulated interest. The restricted loan funds are reflected on the financial statements as a Note Payable to the Funding Source.

The CEDAC Loan Fund is used to assist eligible non-profit organizations in covering predevelopment costs for the construction or rehabilitation of residential, commercial and industrial real estate. Loans from the CEDAC Loan Fund are unsecured and bear 5% simple interest until the due date of the loan, which is generally the closing of the construction loan. As of June 30, 1998, a reserve for loan losses in the amount of $65,003 has been recorded.

The Acquisition Loan Fund was established during 1997 to finance the acquisition of properties by non-profit developers. $500,000 in financing was provided by the Massachusetts Business Development Corporation for a six-year term at a fixed rate of 4.71% per annum. During 1998, CEDAC purchased the note and all accumulated deferred interest for $375,000, resulting in a net increase in net assets of $158,952. The increase in net assets is reflected as a loan capitalization on the Statement of Activities. As of June 30, 1998, a reserve for loan losses in the amount of $9,652 has been recorded.

Note B—Notes Payable to Funding Source

Loan funds managed by CEDAC are governed by contracts between CEDAC and the funding source. The loan corpus and accrued interest is recorded as a note payable for each of the following funding sources:

- **The Massachusetts Housing Partnership ("MHP") Acquisition Loan Fund** includes a $5.0 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The term of the line of credit is three years, with annual reviewed renewal options. The line of credit carries an interest rate of prime minus 1.25% (currently 7.25%), due quarterly. Recourse to CEDAC is limited to $250,000 or 10% of the outstanding loan amount whichever is greater. At June 30, 1998 there were draws of $1,830,625 on the line of credit. As of June 30, 1998, a reserve in the amount of $54,919 has been recorded.

  MHP has provided an additional $400,000 to allow CEDAC to cover loan losses, meet its recourse obligations, or make principal and interest payments if non-profit developers are delinquent in making payments to CEDAC. This amount is reflected on the financial statements as deferred revenue.

- **The Massachusetts Housing Partnership ("MHP") Loan Fund** was established with $3.8 million in funding from the MHP Fund in 1986 as authorized by Chapter 405 of the Acts of 1985. The MHP Loan Fund is used to provide site option loans, technical assistance advances and front money loans to non-profit organizations.

  Under the terms of the contract between CEDAC and the MHP Fund, all principal and interest accrues to the MHP Fund. Loans from the MHP Fund are generally unsecured and bear 5% simple interest until the scheduled due date of the loan, generally the construction loan closing date of the project. As of June 30, 1998, a loss reserve in the amount of $205,884 has been recorded.

Pursuant to a contract amendment executed during 1998, $1.0 million of the Loan Fund resources are pledged as collateral by MHP and held for the benefit of CEDAC. MHP has stated that they expect the collateral restriction to be lifted in the future, which will allow for additional lending activity consistent with CEDAC's existing program. Subsequent to June 30, 1998, the MHP Fund released $250,000 of the collateral funds back to CEDAC for use in the MHP Loan Fund.

- **The Child Care Capital Investment Fund ("the FUND")** is a controlled affiliate of CEDAC, established through an initial capitalization of $443,165 from the United Way of Massachusetts Bay ("United Way"). Additional loan funds were provided through a Program Related Investment ("PRI") of $1 million from The Ford Foundation to the FUND. The term of the Ford PRI loan is nine years, with partial repayments in the sixth through the ninth years of the loan.

  CEDAC has also been retained by the FUND Board of Directors as the FUND's manager, making loans and providing technical assistance to non-profit child care centers serving low income children. Loans from the FUND are fully amortizing at 5% simple interest. As of June 30, 1998, a reserve for loan losses in the amount of $84,023 has been recorded.

- **The City of Boston Department of Neighborhood Development ("DND") Loan Fund** authorized the capitalization of a revolving loan fund of funds held at CEDAC to be used to provide loans to governmentally assisted projects in the City of Boston. To capitalize the DND Loan Fund, $218,090 was reclassified from Operating Fund notes payable and a net of $59,560 was reclassified from Operating Fund designated net assets. As of June 30, 1998, a reserve for loan losses in the amount of $40,346 has been recorded.

- **The MHFA TOTAL Loan Fund** was established through an initial capitalization of $350,000 from the Massachusetts Housing Finance Agency ("MHFA") for the Tenant Organization Technical Assistance Loan ("TOTAL") program. That program was completed during FY98 and all loan funds were repaid to MHFA.

Note C—Underwriting and Fiscal Agent Services

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund and Facilities Consolidation Fund loans that are committed by the Department of Housing and Community Development ("DHCD"). Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers.

Notes and mortgages executed in connection with each loan are assigned to CEDAC, which is responsible for the collection of loan repayments. CEDAC and its officers, directors and employees are not liable to DHCD for any losses on loans not repaid or otherwise recovered. DHCD is also responsible for monitoring the performance of these loans.

The Housing Innovations Fund ("HIF") was funded by $30 million in general obligation bonding authority in 1987. Additional HIF commitments were funded by $30 million of a second general obligation bonding authority in 1993. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by non-profit organizations. During 1993, $3 million of the 1987 bond authorization was earmarked to support AIDS Housing projects serving clients with AIDS, HIV and other AIDS-related illness.

The Facilities Consolidation Capital Pooling Program ("FCF") was funded by $50 million in general obligation bonding authority in 1993. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by non-profit organizations. Projects funded through the FCF program are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Mental Retardation and the Massachusetts Department of Mental Health.

HIF and FCF notes payable are presented in the financial statements net of loans receivable at June 30, 1998. Gross loans receivable and notes payable by loan program are as follows:

	HIF1	HIF2	FCF	Total
Notes Payable, Beginning	$ 26,565,993	$12,354,921	$4,796,027	$43,716,941
Reduction in Payable by Funder for Project Expenses	(20,530)			(20,530)
Proceeds from Funding Source		2,875,009	2,385,921	5,260,930
Interest earned, added to Note Payable	46,578	182,477	91,193	320,248
Interest Paid, charged to Note Payable	(52,476)	(246,684)	(34,160)	(333,320)
Notes Payable, Ending	26,539,565	15,165,723	7,238,981	48,944,269
Loans Receivable Ending	(25,704,119)	(11,989,234)	(5,378,298)	(43,071,651)
Net Note Payable	$ 835,446	$ 3,176,489	$ 1,860,683	$ 5,872,618

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The Commonwealth of Massachusetts

ARGEO PAUL CELLUCCI
Governor

Department of Housing and Community Development

JANE WALLIS GUMBLE
Director

CEDAC

JANE WALLIS GUMBLE
Chairperson

MICHAEL GONDEK
Executive Director

As required by Section 6 of Chapter 498 of the Acts and Resolves of 1978, this report is respectfully submitted to:

ARGEO PAUL CELLUCCI
Governor
Commonwealth of Massachusetts

STANLEY C. ROSENBERG
Chairman
Senate Ways and Means Committee

PAUL R. HALEY
Chairman
House Ways and Means Committee

FREDERICK A. LASKEY
Secretary of Executive Office for Administration and Finance

PATRICK F. SCANLAN
Acting Senate Clerk

ROBERT E. MACQUEEN
House of Representatives Clerk

The Community Economic Development Assistance Corporation (CEDAC) is the Commonwealth of Massachusetts' technical assistance provider for non-profit, community-based development organizations. Established by the Massachusetts Legislature in 1978, CEDAC has helped residents of Massachusetts restore their communities as stable and vibrant places in which to live and grow.

CEDAC is governed by a nine-member Board of Directors appointed by the Governor of the Commonwealth. It is a 501(c)(3) tax-exempt organization.

C·E·D·A·C

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